



PayPal–A Marketing Strategy For The Future

Marketing for High Tech Entrepreneurs – Group

Chris Anderson
Vera Dadok
Aby Galsky
Samuel Lin
Camilo Mendez
Bonnie Zhu

Content

- Company Overview
- Value Proposition
- Current Growth Strategy
- Marketing Critique
- New Opportunities/Strategies for Growth
- Conclusions

- Company Overview
- Value Proposition
- Current Growth Strategy
- Marketing Critique
- New Opportunities/Strategies for Growth

Processes 8.3% of \$600B e-commerce

- **Goal:** To be the global standard for online payment solutions
- **Current Highlights:**
 - 63 million active accounts
 - Accepts 19 currencies in 190 markets
 - 56% of revenue is from international markets
- **Products:**
 - Online global payment platform
 - PayPal Mobile
 - PayPal Plug-In
 - Other Financial Products

- Company Overview
- Value Proposition
- Current Growth Strategy
- Marketing Critique
- New Opportunities/Strategies for Growth

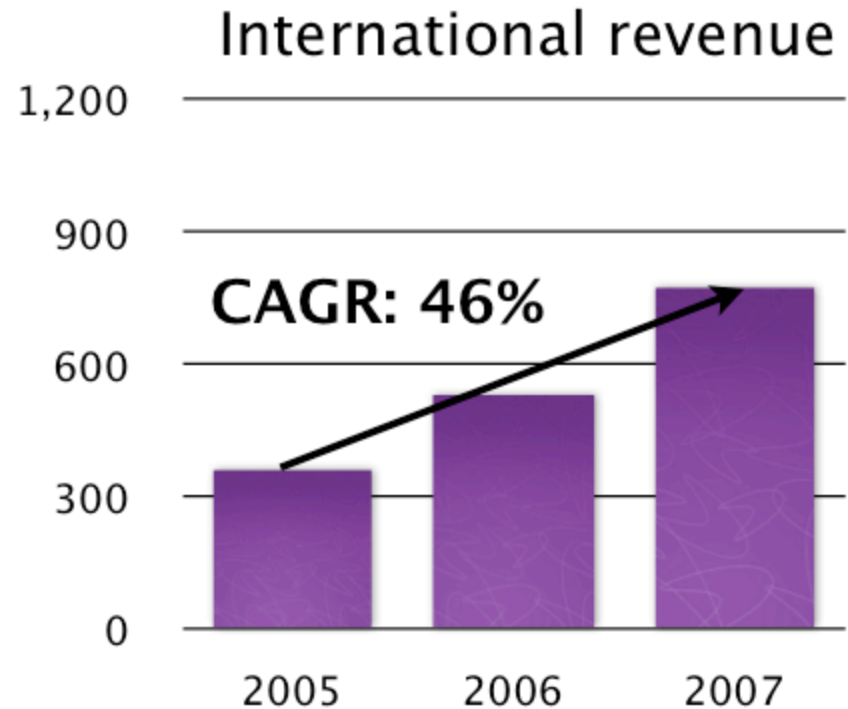
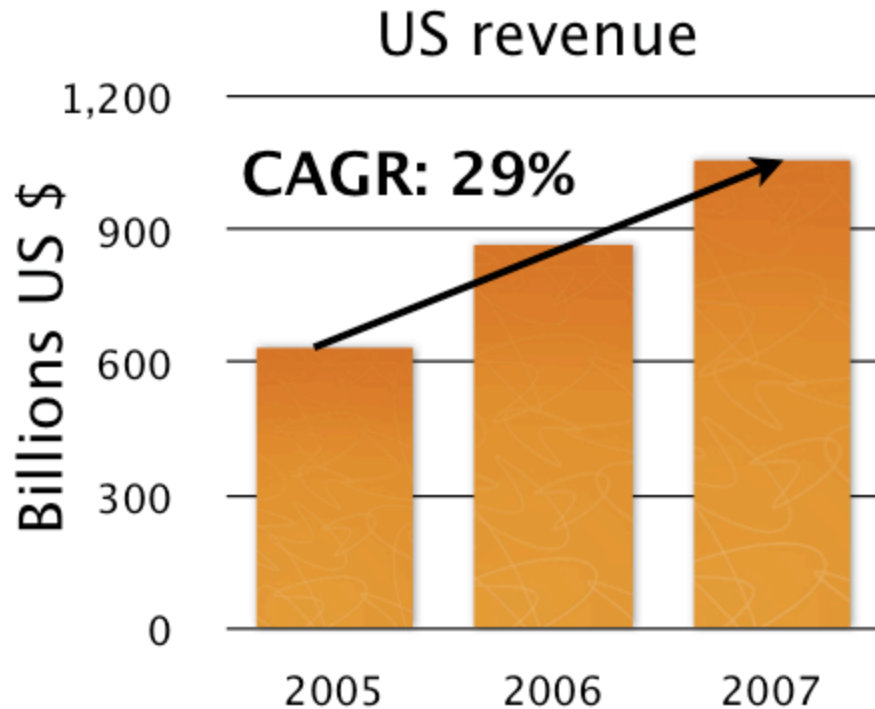
Value proposition for sellers

- For people or businesses
 - who want to sell something online
 - the PayPal platform
 - is an online payment infrastructure
 - that allows you to accept online payments and process them securely.
-
- Unlike traditional merchant accounts
 - PayPal is very easy and quick to set

Value proposition for buyers

- **For** people or businesses
 - **who** want to buy something online
 - **the** PayPal platform
 - **is** a financial gateway
 - **that** allows simple, secure payments on a large number of websites.
-
- **Unlike** paying directly with credit card
 - **PayPal** does not require sharing sensitive information, only email + password.

Revenue growth



- PayPal's revenue has been growing at 30%
- PayPal's revenue in 2007 was \$1.8B

- Company Overview
- Value Proposition
- Current Growth Strategy
- Marketing Critique
- New Opportunities/Strategies for Growth

Current growth strategy

PayPal's Growth Pillars

Growth in Established Markets

- Partner with large companies
- Continue existing operations
- Acquire new users
- Increase PayPal usage on eBay

Expanding to Emerging Markets

- Europe and Asia primarily
- Leverage eBay's presence
- Use same business model country to country

New Product Developments

- Excellent portfolio of products
- Good initial reception by media
- Continuing development

- Company Overview
- Value Proposition
- Current Growth Strategy
- Marketing Critique
- New Opportunities/Strategies for Growth

Critique of PayPal Strategy

- Too much reliance on brand recognition and word of mouth advertising
- Ineffective product promotion
- Not taking enough advantage of foreign market opportunities
- Not adjusting business model for different global markets

- Company Overview
- Value Proposition
- Current Growth Strategy
- Marketing Critique
- New Opportunities/Strategies for Growth

Three strategic opportunities

Non-Retail Payments in US

- Non-retail includes rent, attorney fees, contractor payments, and tax preparation fees
- Opportunity to push PayPal mobile into a different segment

Remittances

- Enormous amounts of money currently transferred among people in different nations
- Expensive and inconvenient current services

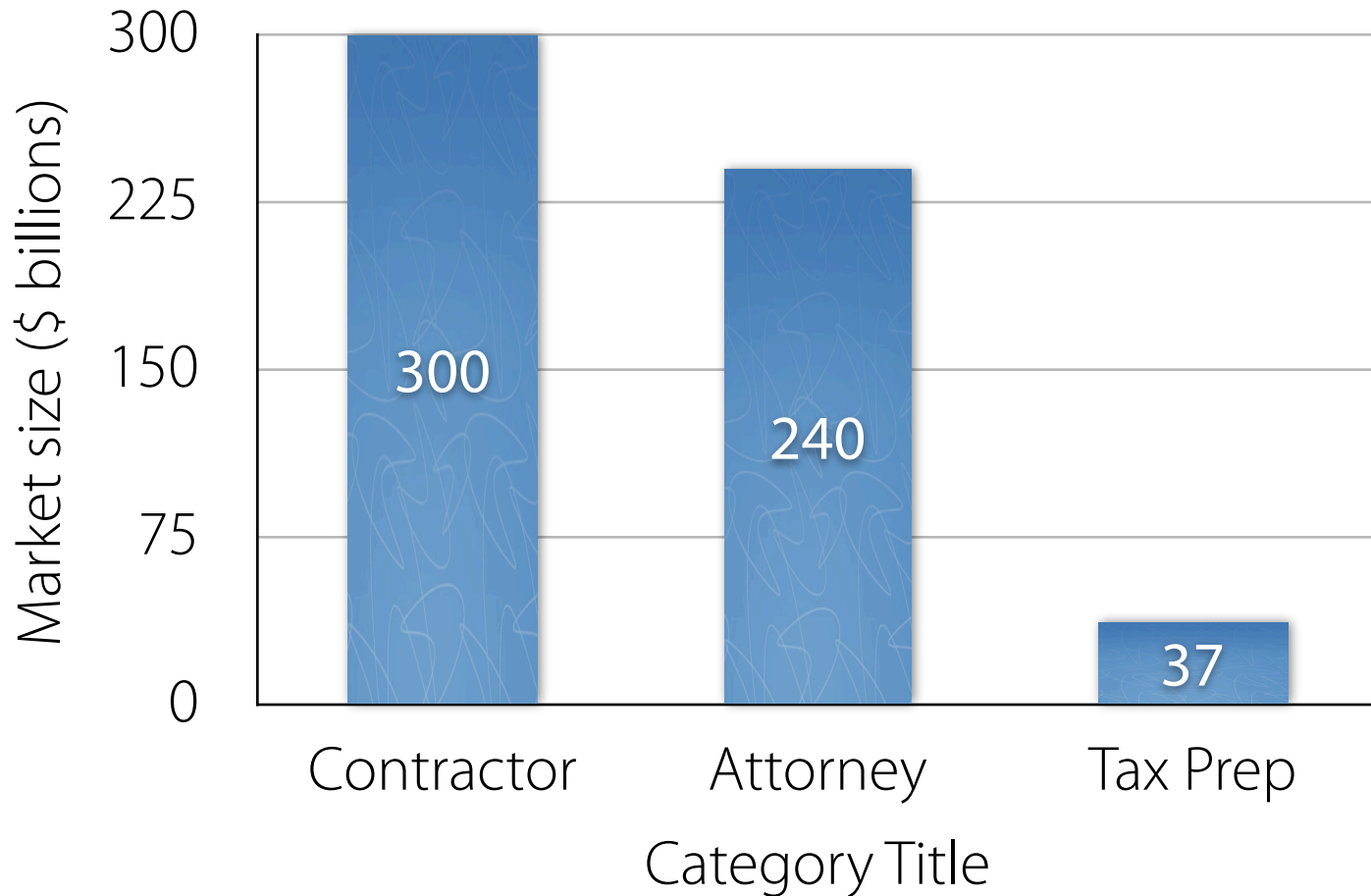
Mobile Payments in Emerging Markets

- Technology leapfrogging in emerging markets
- First mover advantage is critical in a services market

Non-retail: rental market

- 35 million US households pay rent
- New payment structure
 - Higher flat-fee
- New funding mix
 - Low-cost funding sources
- Incentives
 - Current alternatives are inconvenient or not secure
 - Stamp price at \$0.42
- Other potential areas
 - Home owner fees
 - Vacation rentals

Lots of transactions, lots of volume, lots of checks



Checks hamper business; incentives for PayPal electronic payments

Contractors

- Eliminate:
 - Liens on homes
 - Weekly bank runs
 - Carrying large sums of money
- Enable
 - Electronic employee payments
 - Better accountability

Attorneys

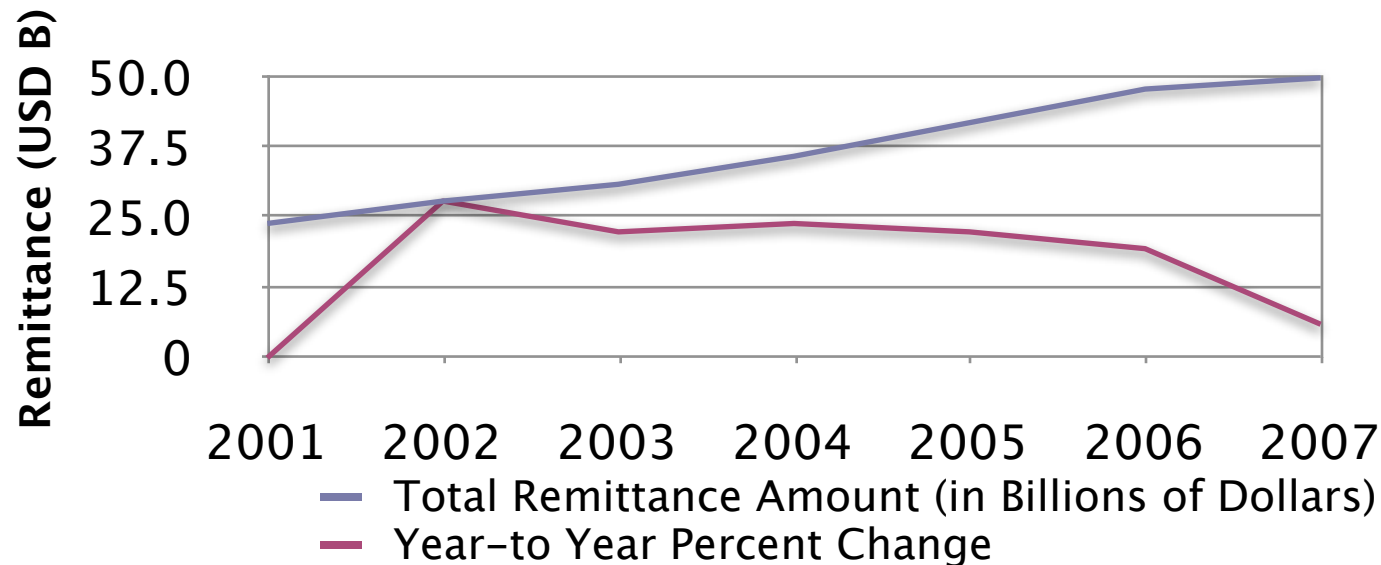
- Eliminate:
 - Waiting for checks to clear
 - Bounced checks
- Improve
 - Perceived level of sophistication
 - Image

PayPal can take advantage of unique payment structures

- Up front costs
 - Start-up, retainer fees
- Incremental payments
 - Lawyers: filing fees, billing for services
 - Contractors: advances for materials, progress payments
- Invoice that grows through interaction
 - Electronically track all payments
 - Include description of work completed at each payment
- PayPal can develop solutions no one else

Remittance's Market Size

- Market Size
 - U.S. to Latin America and Caribbean countries – USD 50 Billion in 2007
 - Growth Rate is 6%



Why PayPal Should Consider Enter the Remittance Market

End Goal of PayPal

- Gain Presence in LAC
- Serve e-commerce



Major Benefits of Remittance

- Bridge into LAC Market
- Gain Revenue in the Process

Market

Characteristics

- \$2.4B, Highly fragmented
- Revenue for PayPal
 - Assuming 15% market penetration and 3% fees = \$10.6M
- Market Growth:
 - Remittance Amount
 - Formal Channels
 - Banks (1% change => 9% change in revenue)

Target countries with high banking population and

■ Example markets

	Remittance Fees (%)	Average Transfer (USD)	Annual Volume (USD in Millions)	Recipients with Bank Account (%)
Dominican	6.4	176.00	2,410	66
Jamaica	8.2	209.00	1,651	65
Guyana	10.14	179.00	270	62
Haiti	6.7	123.00	985	68.4

■ Develop relations with banks and credit unions in LAC

- Revenue Sharing
- Technology Transfer
- Partnership

= \$5B (total volume)

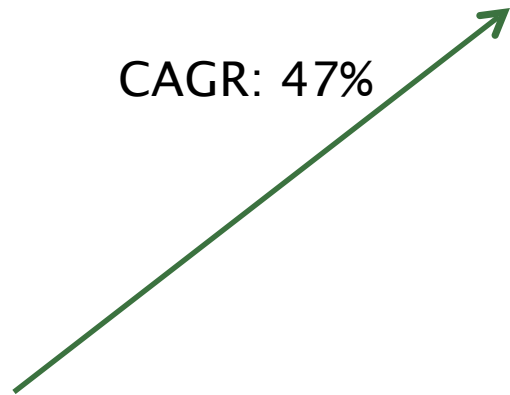
*0.66 (through bank)

*0.43 (formal channels)

*.03 (transaction fee)

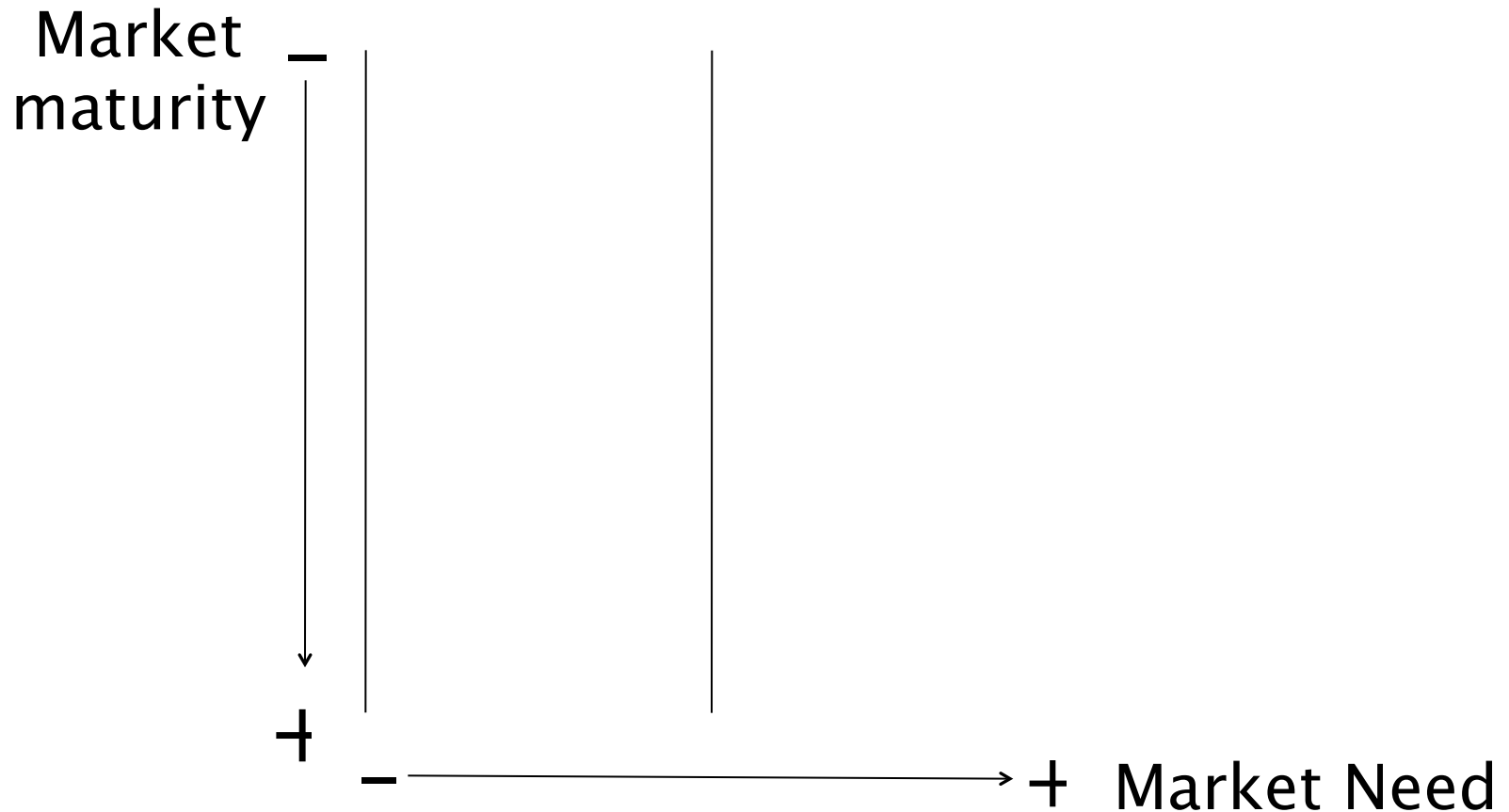
= \$42M (market size)

Worldwide mobile payments market

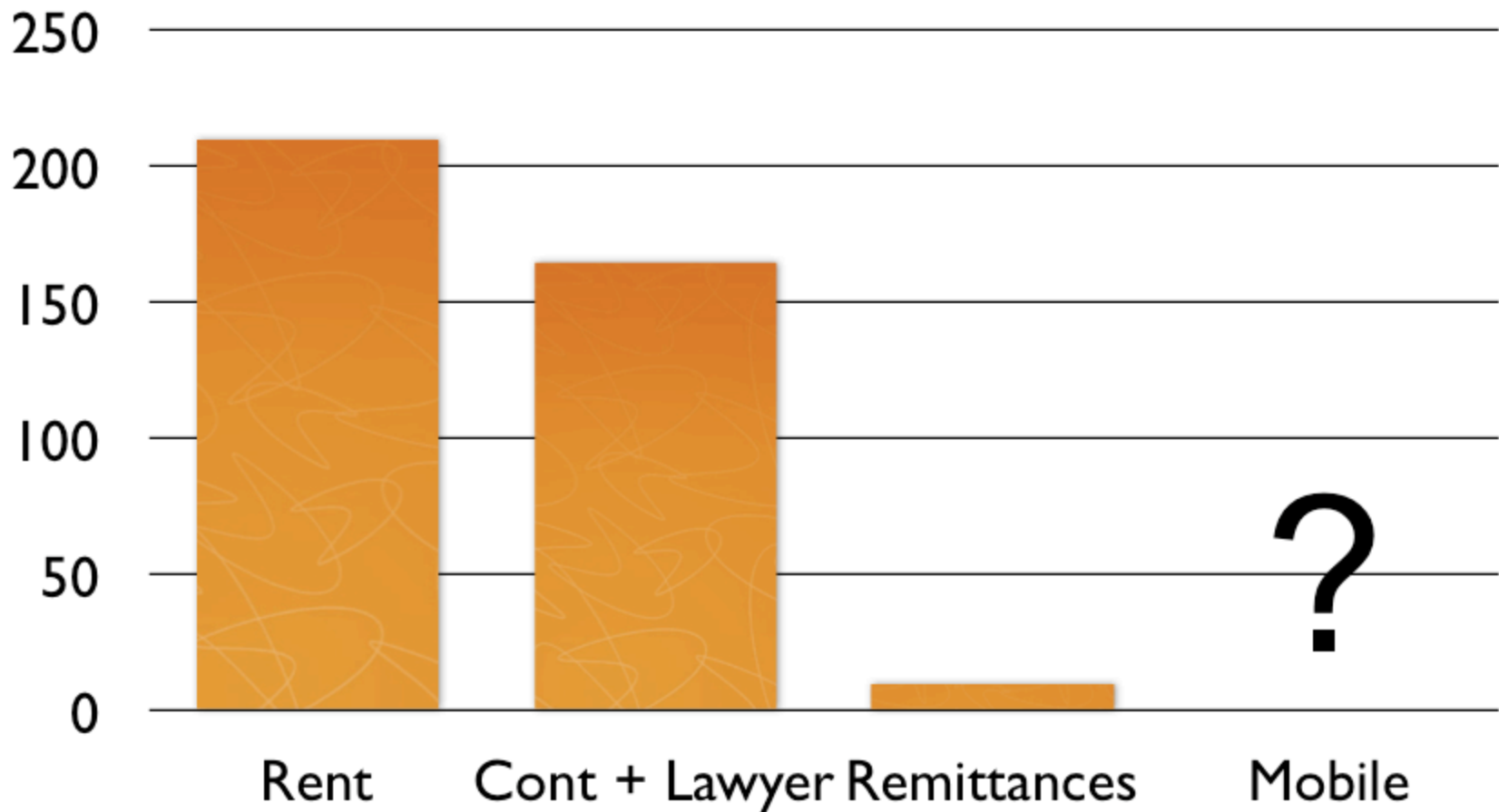


Asian mobile payment markets

Attractiveness Matrix



Revenue opportunities



Conclusions

- While PayPal has a great portfolio they fail to successfully market their products
- Three new growth areas overlap with PayPal's core competencies
 - Non-retail
 - Remittances
 - Mobile in emerging markets
- Succeeding in emerging markets is essential
 - Requires thorough understanding of local